the carrying charge are "in balance." For example, the administrative and general expenses component is based on the ratio of total administrative and general expenses to gross utility plant less the depreciation reserve. (FPL Response, Exhibit A, L18 - L22.) The ratio is "in balance" because both the numerator and the denominator are based on total utility figures. Failure to keep both parts of the ratio on a consistent basis would lead to a distorted charge for administrative and general expenses.

11. The tax component of the carrying charge is also "in balance." (FPL Response, Exhibit A, L23 - L29.) The tax component is based on the total utility taxes divided by gross utility plant less the depreciation reserve. Again both the numerator and denominator reflect total utility figures.

12. The only remaining components of the carrying charge are the depreciation component and the overall rate of return. The depreciation component is "in balance" because it is based on a specific depreciation rate for distribution poles multiplied by the ratio of gross to net distribution pole plant. (FPL Response, Exhibit A, L16 and L17.) The overall

rate of return, by design, applies to total rate base, including distribution poles.

FURTHER AFFIANT SAYETH NAUGHT.

Rosemary Morley

Rosemary Morley

Sworn and subscribed before me this

28th day of September, 1992

Miriam Corzo Garcia

(Signature of Notary Public - State of Florida)

Miriam Corzo Garcia

(Print, Type or Stamp Commissioned Name of Notary Public)

Personally Known ☑ OR Produced Identification ☐

Type of Identification Produced _____

(Notary Seal)

NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. APR.22,1995
BONDED THRU GENERAL INS. UND.

RESPONSE OF FLORIDA POWER & LIGHT COMPANY

EXHIBIT D

AFFIDAVIT OF ALBERT P. FARINELLI, JR.

BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C.

In the Matter of	)	
	)	
AMERICAN CABLESYSTEMS OF FLORIDA, LTD., a Massachusetts Limited Partnership d/b/a Continental Cablevision of Broward County and CONTINENTAL CABLEVISION OF JACKSONVILLE, INC., a Florida corporation,	)	
	)	
Complainants,	)	
	)	
v.	)	File No. PA-91-0012
	)	
FLORIDA POWER & LIGHT COMPANY,	)	
	)	
Respondent.	)	

TO: The Common Carrier Bureau

AFFIDAVIT OF ALBERT P. FARINELLI, JR.

STATE OF FLORIDA)
) SS
COUNTY OF DADE)

BEFORE ME, this day personally appeared Albert P. Farinelli, Jr., who being duly sworn, deposes and says that he has personal knowledge of the following information and such information is true and correct according to his best knowledge and belief.

1. My name is Albert P. Farenilli, Jr.; my business address is 9250 West Flagler Street, Miami, Florida 33174.

I am employed by Florida Power & Light Company as Supervisor of Accounting Engineering.

2. I graduated from the University of Pittsburgh in 1976 with a Bachelor of Science Degree in Business Administration. I have attended numerous classes provided by Depreciation Programs, Inc. in Grand Rapids and Kalamazoo, Michigan. I have also completed various business courses sponsored by my various employers pertaining to such subjects as management, business economics and decision making.

3. I began my professional career in 1966 with Equitable Gas Company (currently Equitable Resource, Inc.), a fully integrated natural gas company in the State of Pennsylvania. I worked in the Property Accounting Department. My last position at the gas company was Manager of Property Accounting responsible for the Continuing Property Records System, valuation of property, preparing all rate base schedules in rate proceedings, preparing depreciation studies and the implementation of depreciation rates and the monthly accruals for depreciation expense. I also testified on behalf of the gas company before the Pennsylvania and West Virginia commissions in the areas of rate base, productivity of labor factors, allocation of cost and depreciation studies.

4. In 1982 I joined Continental Telephone Service Corporation (CONTEL), an independent telephone company whose Western Region was located in Bakersfield, California. There I was responsible for the preparation and filing of depreciation studies in eleven western states, including Alaska. I also testified before the commissions in seven of the eleven states concerning the depreciation studies I was responsible for preparing.

5. I accepted my present position, Supervisor of Accounting Engineering in August, 1985. I am responsible for the preparation of the Company's depreciation and dismantlement studies that are filed with the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). I am responsible for calculating the monthly depreciation and dismantlement accruals as well as continuously reviewing the Company's Property Records and Reserve Accounting Systems to ensure conformity with FERC and FPSC requirements. I am also responsible for the reporting of depreciation information and related plant and reserve balances in FPL's public filings such as its Annual Report on Form 10-K and the FERC Form 1. In addition to these responsibilities, I am responsible for testifying before commissions such as the FPSC to explain the Company's depreciation methodologies, procedures and techniques employed

by FPL to develop the rates of depreciation contained in its detailed and complex studies filed with the commissions.

6. I am a member of the Edison Electric Institute (EEI) Property Accounting and Valuation Committee, a senior member of the Society of Depreciation Professionals, the American Nuclear Society (ANS) and an Associate Member of the American Gas Association (AGA) Depreciation Committee. I have also served as the Chairman of the EEI Depreciation Accounting Committee (currently the Property Accounting and Valuation Committee) in the 1989-1990 administrative year.

7. This affidavit is in support of the Response of Florida Power & Light Company to the above-styled matter.

8. FPL provides electric service to approximately 3.5 million customers. Approximately 46% of those customers are served with overhead services. The equipment to provide overhead service is significantly different from that used to provide underground service. The life characteristics for overhead service equipment is also different from underground service equipment. Considering the extent of these differences, the Company developed individual depreciation rates for subaccount 369.1 - Overhead Services and subaccount 369.7 - Underground Services.

9. In 1987, before the Florida Public Service Commission (Docket No. 870085-EI), FPL requested a change in its depreciation rates consistent with its then most recent depreciation study. That study was the first overall study by FPL utilizing the remaining life method of calculating depreciation rates and the development of individual depreciation rates for subaccount 369.1 and subaccount 369.7. The change in methods as well as the individual depreciation rates by subaccounts were approved in FPSC Order No. 17903.

10. Page 377 of the FERC Form 1 was designed consistent with companies using the whole life method of calculating depreciation rates. Because the Company was now using the remaining life method, the prescribed data in the FERC Form 1, Page 337 was no longer useful to the FERC. After discussing the issue with FERC personnel, it was agreed that the Company needed to provide the necessary information that would allow the FERC to calculate the depreciation rates by FERC account or subaccounts whichever was consistent with the actual calculation of the depreciation rates implemented. Therefore, FPL began presenting plant balances and the related accumulated depreciation by account or subaccount (such as

subaccount 369.1) consistent with the way the rates were developed in its response to FERC Form 1, Page 377.

FURTHER AFFIANT SAYETH NAUGHT.

Albert P. Parinelli, Jr.

Sworn and subscribed before me

this 28 day of Sept., 1992.

(Signature of Notary Public)
State of Florida

RACHAEL P. OWEN
(Print, Type or Stamp Commissioned
Name of Notary Public)

Personally Known X OR Produced Identification _____
Type of Identification Produced_____

(NOTARY SEAL)

NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP JULY 27,1995
BONDED THRU GENERAL INS. UND.

RESPONSE OF FLORIDA POWER & LIGHT COMPANY

EXHIBIT E

CERTIFIED COPY OF FPSC ORDER NO. 17903

In re: Request of Florida Power and Light Company for a change in depreciation rates effective January 1, 1987.	)	DOCKET NO. 870085-EI
	)	ORDER NO. 17903
	)	ISSUED: 7-24-87

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD
GERALD L. GUNTER
JOHN T. HERNDON
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER REPRESCRIBING DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Rule 25-6.0436(7), Florida Administrative Code, requires that once every four (4) years, each jurisdictional utility submit a study of the accounting treatment given its depreciable property. In October, 1986, Florida Power and Light Company (FPL) filed its then most recent study in Docket No. 850764-EI wherein FPL proposed to implement new depreciation rates to be observed retroactive to January, 1986. At the November 4, 1986 Agenda Conference, we deferred final review of the study in order to allow FPL to update various reserve and planning accounts to reflect 1987 levels. We also requested that FPL include estimated ending plant balances for 1986 as well as additions for the St. Johns River Power Plant (SJRPP) facility. We approved a January 1, 1987 implementation date for the new depreciation rates when finally approved.

On January 23, 1987, FPL filed an updated study in this docket. FPL also requested that the proposed rates be implemented on an interim basis, retroactive to January 1, 1987, until we finally approved new rates.

After a preliminary review of the updated study, we approved the proposed rates on an interim basis pending our final represcription of rates in this docket. We specifically reserved authority to true-up the expenses generated by those rates approved in the interim to the level of expenses generated by finally approved rates.

We last prescribed rates for FPL in 1977. Consequently, an extensive evaluation of the present study was called for. Moreover, this is the first overall study by FPL utilizing the remaining life method of calculating depreciation rates (also called "reserve sensitive" depreciation rate design). The Commission Staff has extensively analyzed the originally filed and updated studies and has recommended that the last prescribed rates be increased. Having reviewed FPL's report, we find that FPL's depreciation rates should be represcribed

CORRECTIVE RESERVE TRANSFERS - JDITC

The goal of reserve sensitive rate design is to reconcile the asset investment not yet recovered through depreciation expenses to the time remaining in which to collect it. In this, FPL's initial use of the method, a discrete analysis of reserve accounts was performed by Staff to review the distribution of the reserves by account. The cummulative effect of prior rates and allocations has resulted in surpluses in some accounts and deficits in others. We have traditionally offset these imbalances by corrective reserve transfers. However, in the initial use of reserve sensitive rates in the telephone industry, this approach proved problematic in accounts carrying significant deficits and having relatively short remaining lives. We believe that the problems encountered there were due primarily to the fast pace of technological change prevalent in the telephone industry. Those factors are not yet present in the electric industry. Therefore, we find that reserve transfers should be used to correct deficits in the accounts with relatively short remaining lives (i.e. PCB contaminated transformers and capacitors, transportation power operated equipment, and steam production plants).

The reserve imbalances outlined above can be corrected using reserve adjustments related to the interest synchronization of Job Development Investment Tax Credits. In Order No. 16257, issued June 19, 1986 we decided that depreciation reserve adjustments should be used to properly allocate investment tax credits so as to offset the appropriate revenue requirements. Under the process of interest synchronization, one-time and monthly adjustments are to be recorded as a bottom-line, non-account specific reserve. The adjustment will be based upon plant balances of assets generating the credits. The combination of one-time and monthly adjustments for FPL in 1986 and 1987 totals $44,113,365. We find that this total should be allocated to the specific reserve accounts as detailed in Schedule 2. Beginning January 1, 1988, a monthly adjustment of $168,417 shall be booked as a non-account specific reserve adjustment until base rates are changed. At the next represcription of depreciation rates, these accumulated amounts from January 1 forward will be allocated to specific accounts as needed.

AMORTIZATION SCHEDULES (Refer To Schedule 3)

1. Production Plant

According to FPL's planning, its Cutler Plant and Riviera Unit # 2 are scheduled for near-term retirement. FPL has thus proposed that these facilities be excluded from the depreciation schedules and placed on an amortization schedule whereby the unrecovered investment (including dismantlement costs) is amortized over the remaining life of each plant. This is a rational and effective approach. We, therefore, approve these amortization schedules subject to the condition that any changes due to planning or salvage estimates be trued-up in the next represcription of rates.

2. General Plant

In accordance with the Retirement Unit Rule for Electric Companies promulgated in Docket No. 840204-EU, FPL has proposed the amortization of certain general plant assets (furniture,

office equipment, computer equipment,marine transportation equipment, storage equipment, portable tools and miscellaneous equipment). The embedded investments and reserves for each of these equipment types are shown in Schedule 3, as well as the associated amortization period as set forth in the retirement unit rule and the resultant expense. On a going forward basis, each vintgage year's additions associated with this equipment will be amortized over a like period of time. (e.g. 1987 vintage additions for furniture will be amortized over 7 years, 1988 vintage additions will be amortized over 7 years, etc.). Since it is assumed that additions and retirements for a given year occur on the average at mid-year, FPL has proposed that 1/2 year's amortization be taken the first year, a full year's amortization be taken in the second through seventh years, with a 1/2 year's amortization taken in the eighth year for a total of 7 years amortization expense. We find that this approach is uncomplicated and agrees in principle with our decision in Docket No. 840204-EU. We, therefore, approve these amortization schedules.

DEPRECIATION RATES

The depreciation components for production plant are based on current planning estimates of retirement dates and interim retirement patterns for each plant site. This represents FPL's first step toward stratification in its development of interim retirement patterns of each plant site. Prior approved components and rates were developed on a primary account basis and represented the composite of all individual plant sites. Our Staff firmly endorses the concept of determining components by stratification into groups of assets with similar lives as it allows a more accurate assessment of capital recovery needs. We concur with Staff's endorsement and find that the rates proposed by FPL represent an initial step toward this result.

In recognition of the potential costs for dismantling and removing contaminated materials (such as asbestos), FPL has included, as part of their proposal for production plant, a "Discounted Future Net Salvage" rate which is an add-on to the remaining life rate. This approach is similar to that taken for nuclear decommissioning in that current ratepayers pay their share of expenses to dismantle the production facility. Unlike nuclear decommissioning, FPL's approach does not call for a funded reserve. This issue is presently a matter of concern and debate within the industry. The costs associated with the dismantlement of fossil fuel plants are largely undefined. We find that the adoption of FPL's approach at this time is premature. We find, consistent with our Staff's recommendation, that these issues are best addressed on a generic basis. In the interim, we direct FPL to separately identify a dismantlement rate instead of adding it into the remaining life rate. A separate reserve account should also be established, by plant site, to accumulate the accrual of dismantlement expenses. This reserve account should be reported separately from the book reserve generated by the standard depreciation rate.

FPL and the Jacksonville Electric Authority completed the first of two 612 megawatt coal-fired generating units located at the St. Johns River Power Park (SJRPP) in April, 1987. Unit 2 and a coal barge unloading terminal are expected to be operational in October, 1988. FPL pays 20% of the facility's

The SJRPP depreciation rates and components, shown in Schedule 4, are based in part on an interim retirement analysis of all production plants modified to give consideration to the environment of a coal-fired unit. The subcategories within each account will be modified in the future as accounting records are solidified and operating experience is gained.

For preliminary booking purposes, FPL was directed to use the depreciation rates developed for each account of SJRPP while maintaining data at the subcategory level within each given account. FPL is hereby granted final approval of these rates and components, and we direct it to continue studying the various subcategories in anticipation of the next represcription. As with the other production plants, the dismantlement rate and expenses should be maintained in a separate reserve account until appropriate treatment of these type costs are determined.

At the November 4, 1986, Agenda Conference, we reviewed the originally filed depreciation study. We deferred consideration of the study; however, we approved a January 1, 1987, effective date for depreciation rates finally approved in that docket. We hereby adopt that decision for final rates approved under the revised depreciation study. Depreciation expenses booked under the interim rates should be trued-up to reflect the incremental difference between the interim rates and the rates approved in this Order.

In consideration of the above, it is

ORDERED by the Florida Public Service Commission that the depreciation rates set forth in the body of this Order and in Schedules 1 and 4, attached to this Order, are approved for the Florida Power and Light Company. It is further

ORDERED that the corrective reserve transfers set forth in Schedule 2, attached to this Order, are approved. It is further

ORDERED that the amortization schedules set out in Schedule 3, attached to this Order, are approved. It is further

ORDERED that the effective date of the new rates and schedules is January 1, 1987. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on August 13, 1987. It is further

By ORDER of the Florida Public Service Commission this 24th day of July, 1987.

STEVE TRIBBLE, Director

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes (1985), to notify parties of any administrative hearing or judicial review of Commission orders that may be available, as well as the procedures and time limits that apply to such further proceedings. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 13, 1987. In the absence of such a petition, this order shall become effective August 14, 1987 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on August 14, 1987, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

SCHEDULE 1 PAGE 1 of

FLORIDA POWER & LIGHT COMPANY
1987 STUDY

Depreciation Rates and Components

COMMISSION APPROVED

ACCOUNT		AVERAGE REMAINING LIFE (YRS)	NET SALVAGE (%)	BOOK RESERVE (%)	REMAINING LIFE RATE (%)	DISMANTLING RATE (%)
	STEAM PRODUCTION					
311 TO 316	Sanford	18.8	(12.0)	45.0	3.6	1.2
311 TO 316	Cape Canaveral	14.8	(18.5)	49.5	4.7	2.0
311 TO 316	Martin	26.6	(4.4)	19.2	3.2	0.3
311 TO 316	Riviera #2	1.5	YEAR AMORTIZATION			
311 TO 316	Riviera #3 & #4	10.2	(16.5)	74.4	4.1	2.2
311 TO 316	Ft. Myers	13.3	(15.0)	62.9	3.9	1.9
311 TO 316	Manatee	22.6	(7.5)	29.1	3.5	0.6
311 TO 316	Ft. Lauderdale	5.5	(14.4)	87.0	5.0	3.2
311 TO 316	Port Everglades	10.7	(15.5)	69.4	4.3	2.0
311 TO 316	Cutler	2.9	YEAR AMORTIZATION			
311 TO 316	Turkey Point	14.6	(18.5)	56.3	4.3	1.9
311 TO 316	St.Johns River Power Park	31.7	(14.3)	0.0	3.6	1.0
	NUCLEAR PRODUCTION					
321 TO 325	St. Lucie	27.7	(5.4)	18.1	3.2	0.0
321 TO 325	Turkey Point	18.4	(7.5)	25.4	4.5	0.0
	OTHER PRODUCTION					
341 TO 346	Putnam	21.7	(3.0)	43.6	2.7	0.2
341 TO 346	Ft. Myers GT	12.3	0.0	64.5	2.9	0.0
341 TO 346	Ft. Lauderdale GT	4.6	0.0	71.9	6.1	0.0
341 TO 346	Pt. Everglades GT	4.5	0.0	74.5	5.7	0.0
	TRANSMISSION PLANT					
350.2	Easements	56.0	0.0	10.2	1.6	N/A
352.0	Structures & Improvements	44.0	(5.0)	20.6	1.9	N/A
353.0	Station Equipment	27.0	10.0	25.6	2.4	N/A
354.0	Towers & Fixtures	41.0	(15.0)	12.0	2.5	N/A
355.0	Poles & Fixtures	27.0	(30.0)	36.9	3.4	N/A
356.0	OH Conductors & Devices	27.0	(30.0)	29.6	3.7	N/A
357.0	UG Conduit	45.0	0.0	28.9	1.6	N/A
358.0	UG Conductors & Devices	24.0	0.0	40.3	2.5	N/A
359.0	Roads & Trails	59.0	0.0	13.9	1.5	N/A

SCHEDULE 1

FLORIDA POWER & LIGHT COMPANY
1987 STUDY

Depreciation Rates and Components

COMMISSION APPROVED

ACCOUNT		AVERAGE REMAINING LIFE (Yrs)	NET SALVAGE (%)	BOOK RESERVE (%)	REMAINING LIFE RATE (%)	DISMANTLING RATE (%)
	STEAM PRODUCTION					
	DISTRIBUTION PLANT					
361.0	Structures & Improvements	31.0	(5.0)	25.7	2.6	N/A
362.0	Station Equipment	26.8	10.0	31.4	2.3	N/A
364.0	Poles,Towers, & Fixtures	23.8	(30.0)	39.6	3.9	N/A
365.0	OH Conductors & Devices	18.3	(40.0)	37.6	5.6	N/A
366.6	UG. Conduit, Duct System	40.0	0.0	20.5	2.0	N/A
366.7	UG. Conduit, Direct Burie	24.0	0.0	13.5	3.6	N/A
367.6	UG. Conduct., Duct Syst.	34.0	12.0	31.0	1.7	N/A
367.7	UG. Conduct., Direct Buri	13.6	0.0	25.9	5.4	N/A
368.0	Line Transformers	18.9	(10.0)	27.2	4.4	N/A
368.1	Contaminated PCB Trans.	18.9	(10.0)	27.2	4.4	N/A
	TOTAL Account 368					
369.1	Services, Overhead	17.2	(60.0)	30.0	7.6	N/A
369.7	Services, Underground	29.0	(20.0)	23.7	3.3	N/A
370.0	Meters	16.5	0.0	31.0	4.2	N/A
371.0	Install. On Custom. Prem.	18.1	(20.0)	15.5	10.3	N/A
373.0	Street & Signal Lights	14.4	(20.0)	26.9	6.5	N/A
	GENERAL PLANT					
390.0	Structures & Improvements	39.8	0.0	16.6	2.1	N/A
391.1	Office Furniture	7	YEAR	AMORTIZATION		
391.2	Office Accessories	5	YEAR	AMORTIZATION		
391.3	Office Equipment	7	YEAR	AMORTIZATION		
391.4	Dup. & Mailing Equipment	7	YEAR	AMORTIZATION		
391.5	EDP Equipment	5	YEAR	AMORTIZATION		
392.0	Trans. Aircraft	6.7	20.0	32.9	7.0	N/A
392.1	Trans. Automobile	3.2	15.0	44.0	12.8	N/A
392.2	Trans. Light Trucks	3.7	15.0	44.0	11.1	N/A
392.3	Trans. Heavy Trucks	8.1	10.0	44.0	5.7	N/A
392.7	Trans. Marine Equip.	5	YEAR	AMORTIZATION		
392.8	Trans. other	5	YEAR	AMORTIZATION		
392.9	Trans. Trailers	13.4		44.0	3.4	N/A
393.1	Handling Equipment	24.0	0.0	21.5	3.3	N/A
393.2	Storage Equipment	7	YEAR	AMORTIZATION		
393.3	Prior Handling Equip.	7	YEAR	AMORTIZATION		
394.1	Fixed/Stationary Equip.	18.9	5.0	24.6	5.7	N/A
394.2	Portable Equip.	7	YEAR	AMORTIZATION		
395.1	Fixed/Stationary Equip.	25.0	0.0	15.6	3.4	N/A
395.2	Portable Equip.	7	YEAR	AMORTIZATION		
396.1	Power Op. Equip.(Trans.)	5.6	20.0	0.0	14.3	N/A
396.8	Other Power Op. Equip.	5.6	20.0	22.4	10.3	N/A
397.1	Other Comm. Equip.	7.2	0.0	20.8	11.8	N/A
397.3	Official Comm. Equip.	0.0	0.0	20.8	0.0 **	N/A
397.8	Fiber Optic	10.0	0.0	2.0	10.0 **	N/A
398.0	Miscellaneous Equipment	7	YEAR	AMORTIZATION		

**Denotes whole life rates

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SCHEDULE 2

COMMISSION APPROVED
CORRECTIVE RESERVE TRANSFERS

	1-1-87 Book Reserve	Calculated Theoretical Reserve	Reserve Transfer	Resta Rese
Riviera #3 & #4	34,470,492	40,503,934	6,033,442	40,503
Ft. Myers	31,478,622	37,046,869	5,568,247	37,046
Ft. Lauderdale	23,891,465	29,034,510	5,143,045	29,034
Port Everglades	74,707,028	89,049,626	14,342,598	89,049
Turkey Point	34,796,102	42,039,363	5,317,827	40,113
Line Transformers	351,691	8,051,691	7,700,000	8,051
Power Operated Equip. (Trans.)	(8,206)	1,123,786	8,206	
JDIC Adj. for 1986 & 1987	44,113,365		(44,113,365)	

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SCHEDULE 3

[illegible]

SCHEDULE 4 PAGE 1 of 2

ST. JOHNS RIVER POWER PARK UNIT NO. 1

	ESTIMATED LIFE	PROPOSED NET SALVAGE	DISCOUNTED FUTURE NET SALVAGE	REMAINING LIFE DEPRECIATION RATE	REMAINING LIFE DEP. RATE w/DFNS
311 STRUCTURES & IMPROVEMENTS					
311.1 Site Preparation & Improvements	37.1	-25.0%	-1.7%	3.4%	5.1%
311.2 Water Supply & Waste Water Systems	33.0	-25.0%	-1.8%	3.8%	5.5%
311.3 Buildings - Service & Support	34.8	-25.0%	-1.7%	3.6%	5.3%
311.4 Buildings - Boiler & Control	34.8	-25.0%	-1.7%	3.6%	5.3%
311.5 Circulating Water Systems / Structures	36.7	-25.0%	-1.7%	3.4%	5.1%
Total Account 311	35.7	-25.0%	1.7%	3.5%	5.2%
312 BOILER PLANT EQUIPMENT					
312.1 Coal Unloading, Storage & Transfer	26.2	-14.0%	-1.1%	4.4%	5.4%
312.2 Piping	37.8	-14.0%	-0.9%	3.0%	4.0%
312.3 Air Supply and Draft Systems	30.8	-14.0%	-1.0%	3.7%	4.7%
312.4 Air Quality Control Systems (AQCS)	26.6	-14.0%	-1.1%	4.3%	5.4%
312.5 Flue Gas Desulferization Systems (FGDS)	30.4	-14.0%	-1.0%	3.8%	4.8%
A) FGDS Structures	40.0	-14.0%	-0.9%	2.9%	3.8%
B) FGDS Equipment	24.2	-14.0%	-1.1%	4.7%	5.8%
312.6 Solid Waste Handling	34.5	-14.0%	-1.0%	3.3%	4.3%
312.7 Boiler Equipment & Accesories	37.5	-14.0%	-0.9%	3.0%	3.9%
312.8 Feedwater & Condensate Systems	31.5	-14.0%	-1.0%	3.6%	4.6%
Total Account 312	31.5	-14.0%	1.0%	3.7%	4.7%
314 TURBOGENERATOR EQUIPMENT					
314.1 Turbine Generator	26.3	-9.0%	-0.7%	4.1%	4.8
314.2 Condenser and Auxilleries	34.0	-9.0%	-0.6%	3.2%	3.8
314.3 Circulating Water Systems	35.8	-9.0%	-0.6%	3.0%	3.7
314.4 Cooling Towers & Support Systems	38.9	-9.0%	-0.6%	2.8%	3.4
Total Account 314	30.9	-9.0%	0.7%	3.6%	4.3
315 ACCESSORY ELECTRIC EQUIPMENT					
315.1 Aux Power TX's & Emergency Power Sys	34.3	-12.0%	-0.8%	3.3%	4.
315.2 Conduits, Conductors & Insulators	36.9	-12.0%	-0.8%	3.0%	3.
315.3 Flue Gas Desulfersation Systems (FGDS)	25.9	-12.0%	-0.9%	4.3%	5.
315.4 Precipitator	29.4	-12.0%	-0.9%	3.8%	4.
315.5 Control Boards, Switchgear and MCC Sys	27.7	-12.0%	-0.9%	4.0%	4.
Total Account 315	29.9	-12.0%	0.9%	3.8%	4.

SCHEDULE 4

	ESTIMATED LIFE	PROPOSED NET SALVAGE	DISCOUNTED FUTURE NET SALVAGE	REMAINING LIFE DEPRECIATION RATE	REMAININ LIFE DEF RATE w/DFNS
316 MISCELLANEOUS POWER PLANT EQUIPMENT					
316.1 Communications	15.0	2.5%	0.3%	6.5%	6.2
316.2 Compressed Air	25.8	2.5%	0.2%	3.8%	3.6
316.3 General Plant Equipment	34.9	2.5%	0.2%	2.8%	2.6
316.4 Power Generation Equipment					
A) Equipment - General	9.7	2.5%	0.3%	10.0%	9.7
B) Equipment - Heavy	11.7	2.5%	0.3%	8.3%	8.0
C) Equipment - Light	15.0	2.5%	0.3%	6.5%	6.2
D) Management Information System	5.4	2.5%	0.6%	16.0%	17.4
E) Fleet Service Vehicles	8.0	2.5%	0.4%	12.2%	11.8
F) Warehouse Tools	11.3	2.5%	0.3%	8.6%	8.3
G) Bench Stock	10.0	2.5%	0.3%	9.8%	9.4
H) Radio Equipment & Misc.	11.1	2.5%	0.3%	8.7%	8.4
Total Account 316	20.2	2.5%	0.3%	6.1%	5.9
@9/30/86 - TOTAL SJRPP UNIT #1	31.9	-14.9%	1.1%	3.7%	4.7

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request of Florida Power and Light Company for a change in depreciation rates effective January 1, 1987.	)	DOCKET NO. 870085-EI
	)	ORDER NO. 17903
	)	ISSUED: 7-24-87

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD
GERALD L. GUNTER
JOHN T. HERNDON
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER REPRESCRIBING DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Rule 25-6.0436(7), Florida Administrative Code, requires that once every four (4) years, each jurisdictional utility submit a study of the accounting treatment given its depreciable property. In October, 1986, Florida Power and Light Company (FPL) filed its then most recent study in Docket No. 850764-EI wherein FPL proposed to implement new depreciation rates to be observed retroactive to January, 1986. At the November 4, 1986 Agenda Conference, we deferred final review of the study in order to allow FPL to update various reserve and planning accounts to reflect 1987 levels. We also requested that FPL include estimated ending plant balances for 1986 as well as additions for the St. Johns River Power Plant (SJRPP) facility. We approved a January 1, 1987 implementation date for the new depreciation rates when finally approved.

On January 23, 1987, FPL filed an updated study in this docket. FPL also requested that the proposed rates be implemented on an interim basis, retroactive to January 1, 1987, until we finally approved new rates.

After a preliminary review of the updated study, we approved the proposed rates on an interim basis pending our final represcription of rates in this docket. We specifically reserved authority to true-up the expenses generated by those rates approved in the interim to the level of expenses generated by finally approved rates.

We last prescribed rates for FPL in 1977. Consequently, an extensive evaluation of the present study was called for. Moreover, this is the first overall study by FPL utilizing the remaining life method of calculating depreciation rates (also called "reserve sensitive" depreciation rate design). The Commission Staff has extensively analyzed the originally filed and updated studies and has recommended that the last prescribed rates be increased. Having reviewed FPL's report, we find that FPL's depreciation rates should be represcribed consistent with Staff's recommendation. See Schedule 1 for the detailed rates and components approved by this order.

CORRECTIVE RESERVE TRANSFERS - JDITC

The goal of reserve sensitive rate design is to reconcile the asset investment not yet recovered through depreciation expenses to the time remaining in which to collect it. In this, FPL's initial use of the method, a discrete analysis of reserve accounts was performed by Staff to review the distribution of the reserves by account. The cumulative effect of prior rates and allocations has resulted in surpluses in some accounts and deficits in others. We have traditionally offset these imbalances by corrective reserve transfers. However, in the initial use of reserve sensitive rates in the telephone industry, this approach proved problematic in accounts carrying significant deficits and having relatively short remaining lives. We believe that the problems encountered there were due primarily to the fast pace of technological change prevalent in the telephone industry. Those factors are not yet present in the electric industry. Therefore, we find that reserve transfers should be used to correct deficits in the accounts with relatively short remaining lives (i.e. PCB contaminated transformers and capacitors, transportation power operated equipment, and steam production plants).

The reserve imbalances outlined above can be corrected using reserve adjustments related to the interest synchronization of Job Development Investment Tax Credits. In Order No. 16257, issued June 19, 1986 we decided that depreciation reserve adjustments should be used to properly allocate investment tax credits so as to offset the appropriate revenue requirements. Under the process of interest synchronization, one-time and monthly adjustments are to be recorded as a bottom-line, non-account specific reserve. The adjustment will be based upon plant balances of assets generating the credits. The combination of one-time and monthly adjustments for FPL in 1986 and 1987 totals $44,113,365. We find that this total should be allocated to the specific reserve accounts as detailed in Schedule 2. Beginning January 1, 1988, a monthly adjustment of $168,417 shall be booked as a non-account specific reserve adjustment until base rates are changed. At the next represcription of depreciation rates, these accumulated amounts from January 1 forward will be allocated to specific accounts as needed.

AMORTIZATION SCHEDULES (Refer To Schedule 3)

1. Production Plant

According to FPL's planning, its Cutler Plant and Riviera Unit # 2 are scheduled for near-term retirement. FPL has thus proposed that these facilities be excluded from the depreciation schedules and placed on an amortization schedule whereby the unrecovered investment (including dismantlement costs) is amortized over the remaining life of each plant. This is a rational and effective approach. We, therefore, approve these amortization schedules subject to the condition that any changes due to planning or salvage estimates be trued-up in the next represcription of rates.

2. General Plant

In accordance with the Retirement Unit Rule for Electric Companies promulgated in Docket No. 840204-EU, FPL has proposed the amortization of certain general plant assets (furniture,

office equipment, computer equipment,marine transportation equipment, storage equipment, portable tools and miscellaneous equipment). The embedded investments and reserves for each of these equipment types are shown in Schedule 3, as well as the associated amortization period as set forth in the retirement unit rule and the resultant expense. On a going forward basis, each vintgage year's additions associated with this equipment will be amortized over a like period of time. (e.g. 1987 vintage additions for furniture will be amortized over 7 years, 1988 vintage additions will be amortized over 7 years, etc.). Since it is assumed that additions and retirements for a given year occur on the average at mid-year, FPL has proposed that 1/2 year's amortization be taken the first year, a full year's amortization be taken in the second through seventh years, with a 1/2 year's amortization taken in the eighth year for a total of 7 years amortization expense. We find that this approach is uncomplicated and agrees in principle with our decision in Docket No. 840284-EU. We, therefore, approve these amortization schedules.

DEPRECIATION RATES

The depreciation components for production plant are based on current planning estimates of retirement dates and interim retirement patterns for each plant site. This represents FPL's first step toward stratification in its development of interim retirement patterns of each plant site. Prior approved components and rates were developed on a primary account basis and represented the composite of all individual plant sites. Our Staff firmly endorses the concept of determining components by stratification into groups of assets with similar lives as it allows a more accurate assessment of capital recovery needs. We concur with Staff's endorsement and find that the rates proposed by FPL represent an initial step toward this result.

In recognition of the potential costs for dismantling and removing contaminated materials (such as asbestos), FPL has included, as part of their proposal for production plant, a "Discounted Future Net Salvage" rate which is an add-on to the remaining life rate. This approach is similar to that taken for nuclear decommissioning in that current ratepayers pay their share of expenses to dismantle the production facility. Unlike nuclear decommissioning, FPL's approach does not call for a funded reserve. This issue is presently a matter of concern and debate within the industry. The costs associated with the dismantlement of fossil fuel plants are largely undefined. We find that the adoption of FPL's approach at this time is premature. We find, consistent with our Staff's recommendation, that these issues are best addressed on a generic basis. In the interim, we direct FPL to separately identify a dismantlement rate instead of adding it into the remaining life rate. A separate reserve account should also be established, by plant site, to accumulate the accrual of dismantlement expenses. This reserve account should be reported separately from the book reserve generated by the standard depreciation rate.

FPL and the Jacksonville Electric Authority completed the first of two 612 megawatt coal-fired generating units located at the St. Johns River Power Park (SJRPP) in April, 1987. Unit 2 and a coal barge unloading terminal are expected to be operational in October, 1988. FPL pays 20% of the facility's total cost.

The SJRPP depreciation rates and components, shown in Schedule 4, are based in part on an interim retirement analysis of all production plants modified to give consideration to the environment of a coal-fired unit. The subcategories within each account will be modified in the future as accounting records are solidified and operating experience is gained.

For preliminary booking purposes, FPL was directed to use the depreciation rates developed for each account of SJRPP while maintaining data at the subcategory level within each given account. FPL is hereby granted final approval of these rates and components, and we direct it to continue studying the various subcategories in anticipation of the next represcription. As with the other production plants, the dismantlement rate and expenses should be maintained in a separate reserve account until appropriate treatment of these type costs are determined.

At the November 4, 1986, Agenda Conference, we reviewed the originally filed depreciation study. We deferred consideration of the study; however, we approved a January 1, 1987, effective date for depreciation rates finally approved in that docket. We hereby adopt that decision for final rates approved under the revised depreciation study. Depreciation expenses booked under the interim rates should be trued-up to reflect the incremental difference between the interim rates and the rates approved in this Order.

In consideration of the above, it is

ORDERED by the Florida Public Service Commission that the depreciation rates set forth in the body of this Order and in Schedules 1 and 4, attached to this Order, are approved for the Florida Power and Light Company. It is further

ORDERED that the corrective reserve transfers set forth in Schedule 2, attached to this Order, are approved. It is further

ORDERED that the amortization schedules set out in Schedule 3, attached to this Order, are approved. It is further

ORDERED that the effective date of the new rates and schedules is January 1, 1987. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on August 13, 1987. It is further

By ORDER of the Florida Public Service Commission this 24th day of July, 1987.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ELJ

by: Kay Flynn
Chief, Bureau of Records